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SUBJECT: U/S BURNS' MEETING WITH FOREIGN MINISTER LIVNI

Classified By: Ambassador Richard H. Jones, Reason 1.4 (b) (d)

11. (S) Summary. In their August 16 meeting, U/S Nicholas Burns and Foreign Minister Tzipi Livni discussed the just-signed Memorandum of Understanding (MOU) on U.S. Foreign Military Financing (FMF) assistance to Israel and arms sales to the Gulf states, Iran, the situation in Gaza, Lebanon, and Arab-Israeli actions toward Middle East peace. A consistent theme on Livni's part was the need for the Gulf states and other Arab moderates to take a clearer public stance against Iran. Burns stressed the strength of the U.S. commitment to Israel and the Secretary's focus on achieving progress toward Israeli-Palestinian peace. End Summary.

12. (C) Under Secretary Nicholas Burns led the U.S. delegation that concluded the negotiations with the GOI on the MOU setting the next ten years of FMF assistance to Israel. He met with Foreign Minister Tzipi Livni at her Tel Aviv office August 16, accompanied by the Ambassador, PM Acting A/S Steve Mull, Acting Defense A/S Mary Beth Long, NEA/IPA Deputy Director Nicole Shampaine, DoD Country Director for Israel Alan Davidson, P Special Assistant Herro Mustafa, and PolCouns (notetaker). Livni was joined by Ambassador to Washington Salai Meridor, MFA Director General Aharon Abramovitch, Senior Deputy Director General Yossi Gal, Director for North America Dan Arbell, Livni's office director Alon Bar, and policy adviser Tal Becker.

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Appreciation for MOU  
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13. (S) Livni expressed appreciation for the MOU, adding that perceptions matter and the image of the U.S. holding its ground in the Middle East was a good one. Turning to the Gulf states, Livni said they understood the Iranian threat and that the Israeli-Palestinian conflict was no longer the biggest problem in the region. However, she complained, the Gulf leaders do not state publicly what they are willing to say behind closed doors. This was also the case with Hamas, which poses a threat to Egypt but the moderate Arabs hesitate to make declarations. She argued that the Europeans do not understand the nature of the Iranian threat, and need to hear this view expressed by the Arabs.

14. (S) U/S Burns observed that Secretary Rice had held six meetings with the GCC 2. The Secretary was trying to draw the Gulf states into a long-term security dialogue.

Continued U.S. sales of defensive weapons systems are an essential part of this dialogue. It was important, he stressed, to make the case that this was not a matter of just the U.S. and Israel against Iran.

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Keeping the Pressure on Iran  
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15. (S) Burns said we were assessing the effectiveness of financial sanctions, especially since we do not want to have only a military option to stop Iran's nuclear program. So far we have had some success, with Iran increasingly isolated at the UN, but that would never be enough to stop the Iranian program; outside sanctions were also necessary to achieve that goal. DoD A/S Long noted that some of the Gulf states had been very helpful to our efforts in Iraq and Afghanistan, mentioning in particular the UAE and Bahrain. Livni commented that the Gulf leaders saw the Iranian threat but they lacked confidence that the international community would be able to stop it. We should tell the Europeans that any compromise with Iran would send the wrong message to Iran's neighbors. She reiterated that the Arabs needed to make more public declarations.

16. (S) Burns said we had not been able to make diplomacy sufficiently effective. Our message to the Europeans was to help us make diplomacy work. Burns noted that the U.S. had a big problem with El-Baradei's initiative toward Larijani and that we were working on a third UNSC sanctions resolution. Livni commented that European leaders needed to convince their private sectors to cooperate. The Gulf states could also help in this regard.

17. (S) Burns noted the effectiveness of European banks shutting down their operations in Iran, reminding Livni of the U.S. deal with Europe that sanctions would follow any diplomatic efforts if Iran refused to freeze its enrichment program at Natanz. It was important to work on Germany and Italy, and remind the Europeans that we will need their help to make diplomacy work. Burns added that President Bush is focused on Iran. He suggested that the U.S. and Israel needed to develop a common assessment of the Iranian timeline. Livni responded that the only chance for effective sanctions will be if we all concentrate our efforts. She added that time was short.

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Gaza and Egyptian Anti-Smuggling Efforts  
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18. (S) Livni said the situation in Gaza was complicated, but it was easier to implement a strategy of working with the moderates and pressuring the extremists when the groups were geographically divided. Livni noted there was an on-going build-up of Hamas' military forces in Gaza that must be reduced dramatically. In her view, developing the West Bank under Abu Mazen's authority cannot be a real alternative to Gaza if Hamas continues to receive financial assistance from Iran. Egypt sees the need to stop the smuggling but is not doing enough.

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Lebanon and UNSCR 1701 Implementation  
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19. (S) Referring to consultations in New York about a new draft UNSC resolution, Livni noted that the 1701 arms embargo was not being enforced. Livni said that Lebanese Prime Minister Siniora had courage but he could not call for international intervention to stop Syrian arms transfers to Hizballah. Burns noted that both Siniora and the U.S. needed the new resolution to move forward. The U.S. was working separately with the Europeans to get an effective monitoring force in place. He added that Siniora may be able to do more after the upcoming elections. He suggested that Israel could help Siniora get through the election period by reducing overflights of Lebanon.

¶10. (S) Alon Bar made a brief reference to the Knesset's passage of export control legislation, noting the MFA's new role in the legislation. Burns congratulated Livni, saying that the passage of the legislation was a great success. Livni commented that "sometimes outside demands help us (the MFA)."

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Israeli Steps, Arab Responses  
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¶11. (S) Livni said she hoped the international meeting in the fall would produce results. She noted that she thought it was important for Israel to work with its Palestinian partners. Her preferred approach was to negotiate agreements that would only be implemented once the Palestinians demonstrate they have effective control. It was important to be sure that Israel and the U.S. were taking the same approach.

¶12. (S) Returning to her earlier theme, Livni said the moderate Arabs should support the Israeli-Palestinian peace process, including by stating publicly that they would accept any agreement reached by Abu Mazen. Arab calls for a new Palestinian unity government were not helpful. Normalization with Israel could be used as leverage to help Israel help the Palestinians. As Israel takes steps toward the Palestinians, the Arabs should take steps toward Israel, including publicizing meetings with Israeli officials and opening liaison offices in Tel Aviv. Livni said she believed in working toward an agreement on principles with the Palestinians, but the Arabs could help demonstrate the benefits to the Israeli public.

¶13. (S) Burns noted that he would see PM Fayyad and Abed Rabbo the next day. Livni responded that Fayyad understands the need to address Israeli security concerns. Burns added that Secretary Rice saw the Saudi statement regarding participation in the international meeting as positive and Livni agreed, suggesting that we develop a list of steps Israel could take toward the Palestinians and reciprocal steps the Arabs could take toward Israel. Burns assured Livni that Secretary Rice was very focused on the Israeli-Palestinian issue.

¶14. (U) U/S Burns has cleared this message.

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